



DEPARTMENT OF THE NAVY

NAVAL SEA SYSTEMS COMMAND
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4400

IN REPLY TO

Ser 04L432/141

MAR 12 2004

From: Commander, Naval Sea Systems Command
To: Commander, Norfolk Naval Shipyard
Commander, Pearl Harbor Naval Shipyard and Intermediate Maintenance Facility (IMF)
Commander, Portsmouth Naval Shipyard
Commander, Puget Sound Naval Shipyard and Intermediate Maintenance Facility

Subj: BUSINESS RULES FOR REDISTRIBUTION OF ASSETS AMONG SHIPYARDS - PHASE I

Ref: (a) NAVSEA Transformation Plan
(b) MOA MAT/TAV Version 2.0 of 24 Apr 2003
(c) Naval Shipyard Material Policies of 14 Sep 1998

1. Reference (a) requires that a "One Shipyard" concept be implemented in two phases. As part of that process, public yards need to be able to share assets easily. Reference (b) established the "Shipyard TAV" application which provides visibility among public shipyards.

2. The following business rules for asset sharing among public shipyards are effective upon the date of this letter.

a. Shipping Charges. The receiving shipyard shall provide their Transportation Account Code (TAC) to the issuing yard to cover the cost of shipping when requesting material.

b. Packaging and Handling. Routine packaging and handling costs will be covered by the shipping shipyard. This is with the assumption that the volume of receipts and shipments should be reasonably balanced.

c. Excess Project Material. Shipyards will transfer excess project material between shipyards without charge for the material. Excess project material is defined as material that will not be used on the project for which it was obtained, National Stock Number (NSN) material that was offered back to the system but credit was not allowed, and there is no other project that can use it. This includes all "category code 5" project material. This also includes other "category code" material when the owning project confirms they will not use it

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and the shipyard material manager determines that it cannot be rolled to another funded project. Navy Working Capital Fund (NWCF) funded shipyards should reflect the value of an excess material item as a charge to overhead cost class 58 when issuing, and a gain to overhead cost class 58 when receiving.

d. Non-Excess Project Material. Shipyards will continue to address transfers of this material on a case-by-case basis. Non-Excess Project Material includes Direct Material Inventory (DMI) that is not, and will not, become excess, as defined under Excess Project Material above. Shipyards may require that the material be bought out on a cost reimbursable project, in which case the requestor will provide a DD Form 1149 with a line of accounting and TAC. Shipyards may also request "payback" material be ordered for them by the requesting shipyard (when soonest delivery is required or on a Mission Funded project).

e. Shipyard Overhead Material. Shipyards will continue to address transfers of this material on a case-by-case basis. Shipyard overhead material includes material ordered on overhead job orders and material transferred to a Future Use Material (FUM) account. In a Mission Funding environment, the value of material from a prior fiscal year has already been expensed and may be transferred without charge. NWCF funded shipyards retain the value of their inventory and may require that it be bought out. In such cases, the requesting shipyard must provide a DD Form 1149 with a line of accounting and TAC. In either case, FUM shall be transferred to the requesting shipyard if the material manager determines that it will not be used within the two-year time frame required for FUM or that sufficient time exists for payback reorder.

f. Shop Stores Material. At the start of each fiscal year, each public shipyard will send a funding document to each of the other shipyards for the purpose of buying shop stores material. Initially, each document will be based on a mutually agreed upon initial amount of funding; subsequent year's funding documents will be based on actual usage. Each shop store material request and issue will cite the appropriate funding source. For material transfers between Mission Funded shipyards, the above business rules regarding reimbursement may be modified as applicable by intra-fleet material transfer policies.

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3. This is Phase I of a two-phase effort, providing rules for material transfers among public shipyards. Phase II will incorporate two private shipyards: General Dynamics Electric Boat and Northrop Grumman Newport News.

4. These Business Rules will be incorporated in a subsequent revision to reference (c).



W. R. KLEMM
Deputy Commander for
Logistics, Maintenance and
Industrial Operations Directorate

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Internal copy to:

SEA 04L432

SEA 04L43

SEA 04L44

SEA 04L4

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